Hydraulic Authority I Limited

Annual report and financial statements

Registered number 11685895

For the year ended 31 March 2023

Contents

Strategic report

Business overview

The Pirtek group of companies ("the Group"), operates in eight European countries, with subsidiary undertakings supporting the network of franchisees in each country through the supply of products and services, except Sweden and France which operate an owned model and Belgium with a mixed owned and franchised model. The group strengthened its position in France and Netherlands with the acquisition of centres in Lyon, Grenoble, Rotterdam North and Europoort.

The principal activity of the network itself is the delivery of time-sensitive, on-site hydraulic hose replacement services supported by trade counters. The Group also offers planned and preventative services to keep customers' hydraulic equipment running, avoiding costly downtime.

Pirtek performed well during the year despite the disruption caused to supply chains following Covid 19 and the Ukraine war with sales up 33% at £56,177k in total. The business remains resilient.

The Group will continue provide support to its franchisee network and to provide excellent service to the networks' end customers.

Performance

The business grew during the year and strengthened its position in France with the acquisitions of centres in Lyon and Grenoble, and in the Netherlands with the acquisitions of centres in Rotterdam North and Europoort. Additional centres were opened in Germany and Austria and the group grew centres and vehicle numbers to 214 and 855 respectively. The Group continues to benefit from its broad customer base who appreciate the high level of consistent support that the Pirtek network is able to provide.

The directors attribute the resilience to the Group's strong competitive position to the following:

- the strength of one-hour mobile service and product offering;
- excellent geographic coverage;
- long term end-customer relationships
- industry leading staff training;
- strong network of franchisees and dedicated employees.

The group supported its franchisees through the Covid 19 pandemic and used many of the lessons learned through those very difficult times to ensure that its franchisees and owned businesses had the levels of stock required to ensure that end customers received the high levels of service, which they expect from Pirtek. Although uncertainties remain due to both Covid 19 and the war in Ukraine, the directors of the Group are optimistic for the prospects of the group given the good performance in the current year.

Business environment

The emergency hydraulic hose replacement market across Europe is diverse due to the wide range of industries demanding the service. The demand for a time-sensitive maintenance solution is of greater importance in sectors with high labour costs, well-evolved customer service standards and where equipment downtime costs greatly outweigh the cost of the Pirtek service.

Therefore, the core offering of the Pirtek solution is:

1. Rapid response – aim within 1 hour;
2. Quality product – hoses and fittings usually required for high value capital items are of the highest quality;
3. Nationwide support – ability to resolve problems across a clear geographical area; and
4. Range – having the appropriate product items available at very short notice.

Strategic report *(continued)*

Strategy and future developments

The Companies' strategy is to pursue both organic and acquisitive growth. In our existing geographies we will continue to encourage franchisees to increase the number of centres and the number of mobile service units on the road, and to build their planned maintenance offering. In France where we now have 8 centres, we intend to build a national network over the coming years through acquisitions and centre openings. The group is expected to follow a very similar strategy after its acquisition by Franchise Brands PLC and is expected to provide a platform for its new owners brands to branch out further across the continent.

Key performance indicators

The Group uses a range of performance measures to monitor and manage the business effectively. The most significant of these are the financial key performance indicators ("KPIs").

These KPIs are turnover, gross profit and earnings before interest, tax, depreciation and amortisation ("EBITDA"), which indicate the volume and the profitability of work the Group has undertaken.

The KPIs for the Pirtek Group are set out below:

	2023	2022
	£	£
Turnover (£'000s)	**56,032**	42,177
Gross profit (£'000s)	**40,029**	30,004
Gross profit (%)	**71%**	71%
EBITDA (£'000s)*	**12,672**	10,732
Adjusted EBITDA attributable to the shareholders of the Group (£'000s)**	**14,927**	11,967

* EBITDA equates to operating profit before interest, tax, depreciation, impairment and amortisation.

** Adjusted EBITDA equates to EBITDA before investor costs and those items management consider to be non-recurring in nature. The adjustments relate to investor costs, legal costs, due diligence and restructuring costs related to its acquisitions in France and the Netherlands, and France retirement bonus provision shown in Note 4.

Principal risks and uncertainties

The Group proved its resilience during the pandemic and has done so once again through the supply chain issues caused by the war in Ukraine. The directors are confident of the Group's ability to offer excellent service to our customers and expect to see continued improvement in performance this year provided Covid conditions do not worsen and the war in Ukraine does not escalate. The Directors note the inflationary pressures in European economies but feel the critical nature of our services will help to insulate it from any negative impacts. Business with the larger customers who value national coverage and service excellence is particularly strong. The Group continued to focus on cash management and carefully monitored expenditure and remained within its banking covenant throughout the year.

The Group is exposed to the general economic conditions in each of the countries it operates as well as the performance of specific sectors. However, the number of countries, range of sectors as well as the number and varying sizes of end customer provide a high level of overall resilience.

Financial risk

The Group relies on both equity and debt finance to fund the Group's activities. The Group relies on its financial counterparties to provide various facilities such as its term loan and revolving credit facility. Failure of financial counterparties to provide such services could have a material effect on the Group, therefore the debt funding position is closely monitored.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

During 2020, the Group started to feel the impact of the coronavirus pandemic which has continued to impact countries and companies across the world to varying degrees. This negatively impacted the operating results of the Group and introduced greater uncertainty regarding the Group's financial projections for trading and liquidity. The war in Ukraine added to some of the Covid related supply chain issues but the group successfully managed its way through the challenges by acting quickly to identify potential problems and using its long term relationships with key suppliers to ensure it had sufficient levels of stock to supply customers and franchises. The effects of the Covid 19 and the Ukraine war have eased greatly but both could worsen so in the short to medium term the key operating and financial risks to the Group could include:

- reduction in end customer demand and as a result reduction in revenues and cash flows;
- franchisee settlement terms being extended, re-negotiated or certain debts being deemed irrecoverable;
- impact on service delivery from franchisee and own staff absence due to sickness;
- disruption to the supply chain and delivery of product to franchisees and end customers; and
- supplier manufacturing facilities suffering from staff absence due to sickness or having enforced social distancing rules and the resultant impact on product supply.

Management continually monitor the impact of the above challenges with a particular focus on ensuring sufficient products available to meet customer demand for our services.

The directors have prepared cash flow forecasts for the Group and performed a going concern assessment which indicates that, in both the base and reasonably possible downsides scenarios the Group and company will have sufficient funds to meet its liabilities as they fall due during 12 month period from the date of signing, see Going Concern section for further information. However, the directors are currently considering future options for the holding entities within the Group such as this entity, with liquidation being considered as a potential option in order to rationalise the Group post acquisition. The trading entities within the Group are expected to continue in their current form.

Currency risk

The Group has exposure to translation and transaction foreign exchange risk, which it manages through forward planning of purchasing and assessing on-going exposure to movements in foreign exchange.

Credit risk

The Group's principal credit risk relates to the recovery of amounts owed by franchisees. In order to manage credit risk, debt aging and collection history are reviewed on a regular basis. Debts are actively pursued by the credit control departments in each country.

Interest rate risk

The Group's external borrowings attract interest at a rate which combines fixed and variable elements. The variable element of the interest rate is agreed on a regular basis with the lender.

In August 2019, the Group entered into an interest rate cap at 1.669% above LIBOR expiring in June 2024 to protect against the impact of a rise in interest rates. The Cap started with a notional value of £47.5m which reduces by £3m in June and December each year Due to rising interest rates, the value of the interest rate cap at 31st March 2023 is £1,132,104 (2022: 527,625)

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Liquidity risk

Current and projected working capital demand is reviewed in conjunction with existing financing facilities to determine cash requirements as part of the routine reporting process.

As discussed in the financial risk section, ongoing liquidity is dependent on Group performance following the impact of the coronavirus pandemic and the Directors' ability to take mitigating actions should they be required.

Cash flow risk

The Group's operations are cash generative and not capital intensive. Management continually monitor interest rate and liquidity risk and prepare cash flow forecasts on a regular basis to monitor its ability to repay capital and interest as it falls due.

Environment

We seek to minimise the environmental impact of our activities through the prevention of pollution, minimizing waste, and good environmental management practices, using environmental management systems, which are where applicable externally audited. We are committed to conducting our activities and operations in line with current legislation and best environmental practice seeking continual improvement and innovation within all Group businesses and activities.

Based on sections 465 and 466 of the Companies Act 2006, the group is exempt from preparing a Group Energy and Carbon Report as due to none of the entities within the group individually meeting the reporting threshold.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

Under section 172 of the Companies Act 2006 the directors have a duty to act in good faith in a way that is most likely to promote the success of the company for the benefit is members having regard to the likely consequences of decisions for the long-term, the interest of the company's employees, the need to foster relationships with other key stakeholders, the impact on the community and the environment, maintaining a reputation for high standards of business conduct, and the need to act fairly between members of the company.

Key decisions made by the board during the year ended 31st of March 2022 included the acquisition of three entities in France. These entities operate a very similar business model to Group's businesses and the board believes that these acquisitions are in the best long-term interests of all stakeholders, taking account the balance of financial and operational risk compared with the potential financial returns from entering the French mobile hydraulic replacement marketplace.

The group is controlled by PNC Financial Capital LLC, which has significant representation on the board. The board recognises its responsibility to act fairly for the shareholders of the group.

As at 31st of March 2023 the group employed staff across multiple locations in eight countries. The senior management teams in each country communicate with staff on a regular basis and have increased the level of flexible working by investing in technology at the start of the pandemic. Management have implemented employee policies and procedures which are appropriate for the size of the group.

The group, through its owned centres and franchisee network provide emergency hydraulic hose replacement services to end customers using high quality products sourced from long- term specialist suppliers. Waste products generated from our services are disposed using properly accredited companies.

Health and Safety is taken extremely seriously across the group and the operating companies provide industry leading training to technicians on a regular basis so employees, franchisees, customers, and the public are all kept as safe as possible.

Approved and signed on behalf of the Board on 25th July 2023.

A J Richards
Director
Ashwood Court Springwood Close,
Tytherington Business Park,
Macclesfield, England,
SK10 2XF

Directors' report

The directors present their report together with the strategic report and the audited financial statements for the year ended 31 March 2023.

Results and dividends

The consolidated income statement is set out on page 12 and shows the loss for the year of £13,616,005 *(2022: £11,661,468).*

The Directors are unable to recommend payment of a dividend.

Principal activities

The Group supplies services to its subsidiaries which operate in eight European countries, each subsidiary supporting the network of franchisees in each country through the supply of products and services, except Sweden and France which operate an owned model and Belgium with a mixed owned and franchised model. The principal activity of the network itself is the delivery of time-sensitive, on-site hose replacement services.

The Company is the ultimate parent company in the Hydraulic Authority Group.

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

Following an acquisition on 21 April 2023, the company and its subsidiaries (the Group) are a subsidiary of the Group headed by Franchise Brands PLC (the Franchise Brands Group). Following the acquisition the bank loan and loan notes were settled and replaced with intercompany borrowings with the Franchise Brands Group. The intercompany borrowings are repayable on demand and interest free. The Group meets its day to day working capital requirements from cash generated from operations and an intercompany loan. The directors have prepared cash flow forecasts for the Group and performed a going concern assessment which indicates that, in both the base and reasonably possible downsides scenarios the Group and company will have sufficient funds to meet its liabilities as they fall due during 12 month period from the date of signing ("the going concern assessment period"). The base case scenario contains original budget data, including key assumptions related to sales growth, margin and cost inflation, which has been updated to reflect the financing arrangements of the group following the sale to Franchise Brands PLC. The forecasts include severe but plausible downside scenarios such as reduction in franchisee sales, and slower than forecast growth in sales.

This assessment is dependent on the Franchise Brands Group not seeking repayment of the amounts currently due from the Group, which as at 31 May 2023 amounted to £72.2m. Franchise Brands PLC, the ultimate parent, have indicated that they do not intend to seek repayment of these amounts currently due during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements they have no reason to be believe that it will not do so.

Consequently, the ability of the Group and company to continue as a going concern is based on the ability of the Franchise Brands Group to continue as a going concern. The Franchise Brands Group has significant liquidity available during the going concern period, and the forecasts indicate that even in the severe but plausible downside scenarios it would have sufficient funds to operate within the financial covenants on its loan facilities and to continue to meet its liabilities as they fall due for payment for the forecast period.

However, the directors are currently considering future options for the holding entities within the Group such as this entity, with liquidation being considered as a potential option in order to rationalise the Group post acquisition. The trading entities within the Group are expected to continue in their current form.

Based on the above indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, this matter indicates the existence of a material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern and, therefore, that the company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Directors' report *(continued)*

Qualifying third party indemnity provisions

The company has arranged qualifying third-party indemnity for all of its directors.

Post Balance Sheet Event

On the 21 April 2023, Franchise Brands PLC purchased the Hydraulic Authority I Group for £200m plus a working capital adjustment of £12.2m. Following the acquisition the bank loan and loan notes were settled and replaced with intercompany borrowings with the Franchise Brands Group

Directors

The directors of the company are:

A S McNutt	
A J Richards	
M Rost	(resigned 21 April 2023)
A Wiechkoske	(resigned 21 April 2023)
A Mallows	(appointed 21 April 2023)
S Hemsley	(appointed 21 April 2023)

Financial risk management objectives and policies

The Group has various financial instruments including cash and trade debtors and creditors that arise directly from its operations.

The main risks arising from the Group's financial instruments are currency risk, credit risk, interest rate risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are outlined in the Strategic Report on pages 2 to 4.

Auditor

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditor for the purposes of its audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

Approved and signed on behalf of the Board on 25th July 2023

A J Richards
Director
Ashwood Court Springwood Close,
Tytherington Business Park,
Macclesfield, England,
SK10 2XF

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Hydraulic Authority I Limited

Opinion

We have audited the financial statements of Hydraulic Authority I Limited ("the company") for the year ended 31 March 2023 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated and company balance sheets, Consolidated and company statement of in equity, Consolidated cash flow statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1.2 to the financial statements which indicates that the directors are exploring future options for the company, one of which could result in the liquidation of the company following the acquisition by Franchise Brands PLC in April 2023. These events and conditions, along with the other matters explained in note 1.2, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate

Fraud and breaches of law and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.

Independent auditor's report to the members of Hydraulic Authority I Limited *(continued)*

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets and the post year end sale of the Group, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the opportunity to misstate revenue is deemed remote due to the nature of the revenue recognised.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included unexpected account pairings with revenue, cash and borrowings and specific words.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery and employment law, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

Independent auditor's report to the members of Hydraulic Authority I Limited *(continued)*

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Hydraulic Authority I Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Rob Andrews

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

8 August 2023

Consolidated income statement
for the year ended 31 March 2023

	Note	2023 £	2022 £
Turnover	3	**56,031,826**	42,177,374
Cost of sales		**(16,003,006)**	(12,172,888)
Gross profit		**40,028,820**	30,004,486
Administration expenses		**(41,225,857)**	(27,601,364)
Other operating income		**305,843**	244,238
Operating profit before amortisation, impairment and depreciation		**12,671,948**	10,732,320
Amortisation - charge for the year	11	**(7,826,996)**	(7,590,307)
Amortisation - Impairment	11	**(5,108,735)**	-
Depreciation	12	**(627,411)**	(494,653)
Operating Profit	4	**(891,194)**	2,647,360
Interest receivable		**723,155**	485,280
Interest payable and similar charges	7	**(6,735,757)**	(5,870,488)
Other finance costs	8	**(5,767,835)**	(5,196,248)
Loss on ordinary activities before taxation		**(12,671,631)**	(7,934,096)
Taxation on loss from ordinary activities	9	**(944,374)**	(3,727,372)
Loss for the financial year		**(13,616,005)**	(11,661,468)
Loss for the financial year attributable to:			
Shareholders of the parent company		**(13,529,355)**	(11,509,130)
Non-controlling interest		**(86,650)**	(152,338)
		(13,616,005)	(11,661,468)

All amounts relate to continuing operations.

The accompanying notes form part of the financial statements.

Consolidated statement of comprehensive income

for the year ended 31 March 2023

	2023 £	2022 £
Loss for the financial year	**(13,616,005)**	(11,661,468)
Currency translation differences	**(34,863)**	(76,245)
Total comprehensive loss for the financial year	**(13,650,868)**	(11,737,713)
Loss for the financial year attributable to:		
Shareholders of the parent company	**(13,564,218)**	(11,585,375)
Non-controlling interest	**(86,650)**	(152,338)
	(13,650,868)	(11,737,713)

The numbers above have been presented net of related tax effects.

The accompanying notes form part of the financial statements.

Consolidated balance sheet
at 31 March 2023

	Note	2023 £	2023 £	2022 £	2022 £
Fixed assets					
Intangible assets	11		65,363,807		74,313,117
Tangible assets	12		2,094,619		1,632,879
Derivative financial asset			1,132,104		527,625
			68,590,530		76,473,621
Current assets					
Stocks	14	5,016,349		3,694,923	
Debtors	15	14,944,827		11,185,456	
Current asset investment		156,643		92,947	
Cash at bank and in hand		5,453,757		2,788,326	
		25,571,576		17,761,652	
Creditors: Amounts falling due within one year	16	(10,969,651)		(10,352,285)	
Net current assets			14,601,925		7,409,367
Total assets less current liabilities			83,192,455		83,882,988
Creditors: Amounts falling due after more than one year	17		(134,529,989)		(121,186,508)
Provisions for liabilities					
Deferred tax liability	20		(10,753,625)		(11,650,777)
France Retirement Bonus	24		(514,006)		-
Net liabilities			(62,605,165)		(48,954,297)
Capital and reserves					
Called up share capital	22		96,023		96,023
Profit and loss account			(62,346,515)		(48,817,160)
Currency reserve			(115,685)		(80,822)
Equity attributable to owners of the parent company			(62,366,177)		(48,801,959)
Non–controlling interest			(238,988)		(152,338)
			(62,605,165)		(48,954,297)

The accompanying notes form part of the financial statements.

These financial statements were approved by the board of directors on 25th July 2023 and were signed on its behalf by:

Richards

A J Richards
Director
Company registered number: 11685895

Consolidated statement of changes in equity

	Called up share capital £	Profit and loss account £	Currency reserve £	Total shareholder's equity £	Non-controlling interest £	Total £
Balance at 1 April 2021	96,023	(37,308,030)	(4,577)	(37,216,584)	-	(37,216,584)
Comprehensive loss for the year						
Loss for the year	-	(11,509,130)	-	(11,509,130)	(152,338)	(11,661,468)
Currency translation differences	-	-	(76,245)	(76,245)	-	(76,245)
Total comprehensive loss for the year	-	(11,509,130)	(76,245)	(11,585,375)	(152,338)	(11,737,713)
Balance at 31 March 2022	96,023	(48,817,160)	(80,822)	(48,801,959)	(152,338)	(48,954,297)
Balance at 1 April 2022	96,023	(48,817,160)	(80,822)	(48,801,959)	(152,338)	(48,954,297)
Comprehensive loss for the year						
Loss for the year	-	(13,529,355)	-	(13,529,355)	(86,650)	(13,616,005)
Currency translation difference	-	-	(34,863)	(34,863)	-	(34,863)
Total comprehensive loss for the year	-	(13,529,355)	(34,863)	(13,564,218)	(86,650)	(13,650,868)
Balance at 31 March 2023	**96,023**	**(62,346,515)**	**(115,685)**	**(62,366,177)**	**(238,988)**	**(62,605,165)**

The accompanying notes form part of the financial statements.

Consolidated statement of cash flows
for the year ended 31 March 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Loss for the financial year		**(13,616,005)**	(11,661,468)
Adjustments for:			
Amortisation of fixed assets	*11*	**7,826,996**	7,590,307
Impairment of fixed assets	*11*	**5,108,735**	-
Depreciation of fixed assets	*12*	**627,411**	494,653
Interest payable		**6,735,757**	5,870,488
Interest receivable		**(723,155)**	(485,280)
Other finance costs		**5,767,835**	5,196,248
Taxation expense		**944,374**	3,727,372
Increase in trade and other debtors		**(2,860,305)**	(585,984)
Increase in stocks		**(1,112,187)**	(761,345)
Increase in creditors		**1,131,173**	891,445
Cash from operations		**9,830,629**	10,276,436
Taxation (paid)/received		**(2,793,938)**	(1,585,467)
Net cash generated from operating activities		**7,036,691**	8,690,969
Cash flows from investing activities			
Purchase of fixed assets	*12*	**(989,012)**	(582,820)
Current Asset Investment		**(63,696)**	-
Interest received		**132**	151
Purchase of subsidiary undertaking	*28*	**(4,825,898)**	(5,268,711)
Cash acquired with subsidiary undertaking	*28*	**474,573**	745,633
Receipt from derivative financial instrument		**118,820**	-
Net cash from investing activities		**(5,285,081)**	(5,105,747)
Cash flows from financing activities			
Interest paid		**(3,566,949)**	(2,993,814)
Additional bank loan received		**5,234,705**	-
Debt issue costs		**(180,075)**	-
Capital element of bank loans repaid		**(564,071)**	(1,516,465)
Net cash used in financing activities		**923,610**	(4,510,279)
Net increase / (decrease) in cash and cash equivalents		**2,675,220**	(925,057)
Cash and cash equivalents at beginning of year		**2,788,326**	3,789,628
Foreign exchange gains and losses		**(9,789)**	(76,245)
Cash and cash equivalents at end of year		**5,453,757**	2,788,326
Cash and cash equivalents comprise:			
Cash at bank and in hand		**5,453,757**	2,788,326
		5,453,757	2,788,326

The accompanying notes form part of the financial statements.

Company balance sheet
at 31 March 2023

	Note	2023 £	2023 £	2022 £	2022 £
Fixed assets					
Investments	*13*		1		1
Current assets					
Debtors	*15*	47,230,107		44,382,041	
Cash at Bank		1,270		6,100	
Creditors: Amounts falling due within one year	*16*	(1,052,626)		(983,962)	
Net current assets			46,178,751		43,404,179
Total assets less current liabilities			46,178,752		43,404,180
Creditors: Amounts falling due after more than one year	*17*		(58,129,242)		(52,348,388)
Net liabilities			(11,950,490)		(8,944,208)
Capital and reserves					
Ordinary shares			96,023		96,023
Profit and loss account			(12,046,513)		(9,040,231)
Total equity			(11,950,490)		(8,944,208)

The loss attributable to the members of Hydraulic Authority I Limited for the year ended 31 March 2023 was £3,006,282 *(2022: £2,905,525).*

The accompanying notes form part of the financial statements.

These financial statements were approved by the board of directors on 25th July 2023 and were signed on its behalf by:

A J Richards
Director

Company registered number: 11685895

Company statement of changes in equity

	Ordinary Shares £	Profit and loss account £	Total £
Balance at 1 April 2021	96,023	(6,134,706)	(6,038,683)
Comprehensive loss for the year			
Loss for the year	-	(2,905,525)	(2,905,525)
Total contributions by owners	-	(2,905,525)	(2,905,525)
Balance at 31 March 2022	96,023	(9,040,231)	(8,944,208)
Balance at 1 April 2022	96,023	(9,040,231)	(8,944,208)
Comprehensive loss for the year			
Loss for the year	-	(3,006,282)	(3,006,282)
Total contributions by owners	-	(3,006,282)	(3,006,282)
Balance at 31 March 2023	**96,023**	**(12,046,513)**	**(11,950,490)**

The accompanying notes form part of the financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Hydraulic Authority I Limited (the Company) is a company limited by shares, incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The company's registered number is 11685895 and the registered address is Ashwood Court Springwood Close, Tytherington Business Park, Macclesfield, England, SK10 2XF.

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statements are prepared on a historical cost basis.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies, for further details see note 2.

1.1 Parent company disclosure exemptions

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. In preparing the separate financial statements of the parent company the following disclosure exemptions available in FRS 102 have been applied:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

1.2 Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

Following an acquisition on 21 April 2023, the company and its subsidiaries (the Group) are a subsidiary of the Group headed by Franchise Brands PLC (the Franchise Brands Group). Following the acquisition, the bank loan and loan notes were settled and replaced with intercompany borrowings with the Franchise Brands Group. The intercompany borrowings are repayable on demand and interest free. The Group meets its day to day working capital requirements from cash generated from operations and an intercompany loan. The directors have prepared cash flow forecasts for the Group and performed a going concern assessment which indicates that, in both the base and reasonably possible downsides scenarios the Group and company will have sufficient funds to meet its liabilities as they fall due during 12 month period from the date of signing ("the going concern assessment period"). The base case scenario contains original budget data, including key assumptions related to sales growth, margin and cost inflation, which has been updated to reflect the financing arrangements of the group following the sale to Franchise Brands PLC. The forecasts include severe but plausible downside scenarios such as reduction in franchisee sales, and slower than forecast growth in sales.

This assessment is dependent on the Franchise Brands Group not seeking repayment of the amounts currently due from the Group, which as at 31 May 2023 amounted to £72.2m. Franchise Brands PLC, the ultimate parent, have indicated that they do not intend to seek repayment of these amounts currently due during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements they have no reason to be believe that it will not do so.

Notes *(continued)*

Consequently, the ability of the Group and company to continue as a going concern is based on the ability of the Franchise Brands Group to continue as a going concern. The Franchise Brands Group has significant liquidity available during the going concern period, and the forecasts indicate that even in the severe but plausible downside scenarios it would have sufficient funds to operate within the financial covenants on its loan facilities and to continue to meet its liabilities as they fall due for payment for the forecast period.

However, the directors are currently considering future options for the holding entities within the Group such as this entity, with liquidation being considered as a potential option in order to rationalise the Group post acquisition. The trading entities within the Group are expected to continue in their current form.

Based on the above indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, this matter indicates the existence of a material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern and, therefore, that the company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.3 Basis of consolidation

The consolidated financial statements present the results of Hydraulic Authority I Limited and its subsidiaries ("the Group") as if they formed a single entity. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Intercompany transactions and balances between group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using acquisition accounting. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

The Group accounts consolidate the accounts of Hydraulic Authority I Limited and its subsidiaries made up to 31 March 2023. No profit and loss account is presented in these financial statements for Hydraulic Authority I Limited as the company has taken advantage of the exemption allowed under s.408 of the Companies Act 2006. The loss attributable to the members of Hydraulic Authority I Limited for the year ended 31 March 2023 was £3,006,282.

Where the Group holds an interest in a franchise entity with a view to subsequent resale, that interest is excluded from the consolidation and is classified within current asset investments.

1.4 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Great British Pounds Sterling (£)', which is the Company's functional and the Group's presentation currency.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

b) Transactions and balances

Foreign currency transactions are translated into the Group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Classification of financial instruments issued by the Group and Company

In accordance with FRS 102.22, financial instruments issued by the Group and the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the entity to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the entity; and
- where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

1.7 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.14 below.

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

1.7 Tangible fixed assets (continued)

Depreciation on assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Leasehold improvements, fixtures and fittings	- 5 years
Office equipment	- 3 to 5 years
Plant and machinery	- 5 years
IT systems	- 3 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

1.8 Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. If a reliable estimate cannot be made, the useful life of goodwill is presumed to be 10 years. Goodwill is being amortised on a straight-line basis over the estimated useful life of 10 years and amortisation is recognised within administration expenses.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

b) Other intangible assets

Where an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. Amortisation is charged to administrative expenses in the profit and loss, so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Customer relationships	- 15 years
Franchise contracts	- 15 years
Trade name license	- 15 years

The initial fair value at the acquisition date and estimated useful lives of intangible assets is derived by reference to an independent valuation report.

1.9 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred. Amounts recognised in the profit and loss are presented under the relevant heading within profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Stock

Stock is stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. The cost of goods for resale is based on an average cost basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.11 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the Group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

1.13 Employee benefits

Defined contribution plans and other long-term employee benefits.

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

French Retirement bonus provisions.

Retirement bonuses are payable to staff who remain with the French businesses until they retire based on the relevant collective agreement. Obligations for retirement bonuses are recognised in the balance sheet under provisions for liabilities based on assessment of the current value of those benefits. The current value is calculated using criteria including earnings, life expectancy, estimated length of service and wage inflation which is then discounted to give an estimated current value. The annual movement in provision is charged to the profit and loss account.

1.14 Revenue

Revenue represents the amounts derived from the provision of product sales and services which fall within the Group's ordinary activities and is stated net of value added tax and trade discounts.

The Group's policy is to recognise a sale when substantively all the risks and rewards in connection with the products have been passed to the buyer. Licence fees, business development fees and the recharge of other services are recognised after the services have been provided.

1.15 Leasing arrangements

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Notes (continued)

1.16 Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

1 Accounting policies *(continued)*

1.16 Interest receivable and Interest payable (continued)

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.17 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.18 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement.

Notes (continued)

2 Significant judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the group's accounting policies outlined above, the directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and so actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment (see note 11)

The group considers whether intangible assets and/or goodwill are impaired based on forecast cashflows. Where an indication of impairment is identified the estimation of recoverable value of each cash generating units (CGUs), where this is possible to separately identify. This requires estimation of the future cash flows from CGUs and the selection of appropriate discount rates in order to calculate the net present value of those cashflows.

The directors do not consider that there have been any key assumptions made concerning the future and other key sources of estimation in certainty at the balance sheet date which may cause material adjustment to the carrying amount of assets or liabilities within the next financial period.

3 Analysis of turnover

The turnover and loss before tax are attributable to the principal activity of the Group. Analysis of turnover by destination is as follows:

	2023	2022
	£	£
United Kingdom	**21,094,308**	18,470,692
Rest of Europe	**34,937,518**	23,706,682
	56,031,826	42,177,374

Analysis of turnover by class of business is as follows:

	2023	2022
	£	£
Product sales	**29,687,856**	19,732,591
Licence fees, business development fees and other recharges	**26,343,970**	22,444,783
	56,031,826	42,177,374

Notes (continued)

4 Operating loss

Group:

	2023	2022
	£	£
This has been arrived at after charging:		
Amortisation of Intangibles (see note 11)	**12,935,731**	7,590,307
Depreciation (see note 12)	**627,911**	206,653
Fees payable to the company's auditor for audit of the company's financial statements	**53,500**	45,750
Fees payable to the company's auditor and associates for:		
- the audit of the company's subsidiaries pursuant to legislation	**168,447**	168,473
- tax services	**156,148**	91,828
Exchange differences	**(228,425)**	660
Operating lease rentals	**2,034,777**	1,293,494
Pension costs	**338,167**	287,462
Investor costs	**282,741**	-
Non-recurring legal fees	**286,131**	-
Diligence and restructuring costs	**632,105**	-
Other non-recurring costs	**539,595**	-
France retirement bonus provision	**514,006**	

5 Employees

Group:

	2023	2022
	£	£
Staff costs (including directors) consist of:		
Wages and salaries	**13,527,003**	9,737,186
Social security costs	**2,677,166**	1,695,164
Other pension costs	**338,167**	287,462
	16,542,336	11,719,812

The average number of employees (including directors) during the year was as follows:		
Management	**27**	24
Sales, marketing and customer relationship management	**57**	50
Distribution and service	**134**	111
Administrative staff including finance	**44**	33
	262	218

There were no employees in the parent company during the current year.

Notes (continued)

6 Directors

Group

	2023 £	2022 £
Directors' remuneration consists of:		
Emoluments	**776,442**	726,633
	776,442	726,633

There were 0 *(2022: 0)* Directors who accrued benefits under Group money purchase pension schemes.

	2023 £	2022 £
Highest paid director:		
Total emoluments	**508,869**	483,601

The Company has considered whether, other than the Directors, there are any further key management whose remuneration would need to be disclosed under FRS102, and these disclosures have been made in note 25.

7 Interest payable and similar charges

	2023 £	2022 £
Bank loans and overdrafts	**3,497,621**	2,954,083
Bank loan finance issues costs	**283,582**	244,965
Interest on loan notes	**2,859,464**	2,602,390
Other finance costs	**95,090**	69,050
	6,735,757	5,870,488

The Group incurred £1,714,752 of finance issue costs as part of the arrangement of the bank loan associated with the business combination during the year ended 31 March 2019. These debt fees are being amortised over the duration of the bank loan of 7 years, ending in November 2025. £283,583 *(2022: £244,965)* of the finance fees were amortised in the year to 31 March 2023 leaving £787,891 remaining to be amortised.

Notes (continued)

8 Other finance costs

Group

	2023 £	2022 £
A Preference share dividend	**5,359,055**	4,830,533
B Preference share dividend	**408,780**	365,715
	5,767,835	5,196,248

The dividends on the Preference Shares are unpaid and accrue on a daily basis at a fixed rate of 11% per annum and are only payable if declared for payment by the directors and approved by the majority of the holders of the Ordinary Shares. The total amounts due at the year-end are disclosed in note 17.

9 Taxation on loss from ordinary activities

	2023 £	2022 £
Current tax		
UK corporation tax on profits of the year	**1,497,613**	1,674,790
Adjustments in respect of prior periods	**(42,725)**	57,675
Foreign Taxation	**386,635**	-
Total current tax	**1,841,523**	1,732,465
Deferred tax		
Current year (see note 20)	**(663,689)**	1,990,944
Adjustments in respect of prior periods	**-**	488
Effect of tax rate change	**(233,460)-**	3,475
Total deferred tax charge	**(897,149)**	1,994,907
Taxation on loss from ordinary activities	**944,374**	3,727,372

Notes *(continued)*

9 Taxation on loss from ordinary activities *(continued)*

Reconciliation of current tax charge

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below:

	2023	2022
	£	£
Loss on ordinary activities before tax	**(12,671,631)**	(7,934,096)
Loss on ordinary activities at the standard rate of corporation tax in the UK at 19%	**(2,407,610)**	(1,507,478)
Effects of:		
Expenses not deductible for tax purposes	**3,315,585**	2,266,499
Income not deductible for tax purposes	**(54,111)**	(1,261)
Foreign tax	**115,803**	112,067
Fixed asset differences	**(15,187)**	(13,406)
Adjustments in respect of prior periods	**(42,725)**	57,675
Adjustments in respect of prior periods (deferred tax)	**-**	488
Deferred tax not recognised	**266,079**	17,325
Remeasurement of deferred tax for changes in tax rates	**(233,460)**	2,795,463
Tax charge for year	**944,374**	3,727,372

Factors that may affect future current and total tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023, the corporation tax rate would increase from 19% to 25%. This new rate was substantively enacted in the Finance Bill 2021 and received Royal Assent on 10 June 2021. The deferred tax assets and liabilities at 30 March 2023 have been calculated using the appropriate tax rate based on when the underlying balance is expected to crystallise.

The deferred tax liability at 31 March 2023 has been calculated at 25% *(2022: 25%).*

10 Parent company loss for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own income statement or statement of comprehensive income in these financial statements. The loss after tax of the parent company for the year was £3,006,282 (2022: £2,905,525).

Notes *(continued)*

11 Intangible fixed assets

	Customer relationships £	Franchise contracts £	Trade name license £	Goodwill £	Total £
Cost					
At beginning of year	13,968,000	19,002,000	28,685,000	47,994,845	109,649,845
Acquired through business combination (note 28)	-	-	-	3,986,421	3,986,421
At end of year	13,968,000	19,002,000	28,685,000	51,981,266	113,636,266
Amortisation					
At beginning of year	4,281,782	4,254,853	6,724,937	20,075,156	35,336,728
Charge for the year	832,228	1,267,058	1,890,847	3,836,863	7,826,996
Impairment	-	-	-	5,108,735	5,108,735
At end of year	5,114,010	5,521,911	8,615,784	29,020,754	48,272,459
Net book value					
At 31 March 2023	**8,853,990**	**13,480,089**	**20,069,216**	**22,960,512**	**65,363,807**
At 31 March 2022	9,686,218	14,747,147	21,960,063	27,919,689	74,313,117

The separately identifiable intangible assets and goodwill at the beginning of the year arose on the business combination being the acquisition of the Fast Pressure I Limited group on 21 November 2018.

12 Tangible fixed assets

Group	Leasehold improvements, fixtures & fittings £	Office equipment £	IT systems £	Plant & machinery £	Motor Vehicles £	Total £
Cost						
At beginning of year	144,700	474,789	932,306	471,109	69,610	2,092,514
Additions	197,296	161,883	433,988	195,037	808	989,012
Acquired through Business Combination	80,625	2,861	6,701	14,078	-	104,265
Disposals/Write-offs	-	(71,617)	(4,245)	(3,928)	(643)	(80,433)
Exchange differences	21,430	27,969	28,645	(32)	2,812	80,824
At end of year	**444,051**	**595,885**	**1,397,395**	**676,264**	**72,587**	**3,186,182**
Depreciation						
At beginning of year	55,394	154,627	130,360	113,188	6,066	459,635
Charge for the year	57,103	84,348	358,039	113,437	14,484	627,411
Disposals/Write-offs	-	(56,759)	(3,152)	(3,928)	(193)	(64,032)
Exchange differences	13,748	27,041	24,253	3,286	221	68,549
At end of year	**126,245**	**209,257**	**509,500**	**225,983**	**20,578**	**1,091,563**
Net book value						
At 31 March 2023	**317,806**	**386,628**	**887,895**	**450,281**	**52,009**	**2,094,619**
At 31 March 2022	89,306	320,162	801,946	357,921	63,544	1,632,879

Notes *(continued)*

13 Fixed asset investments

	2023	2022
	£	£
At cost	1	1

Principal fixed asset investments

The company directly or indirectly holds the share capital of the following subsidiary undertakings:

	Country of incorporation	Class of share	% of share capital held	Nature of business
Directly owned				
Hydraulic Authority II Limited	United Kingdom	Ordinary	100%	Management
Indirectly owned				
Hydraulic Authority III Limited	United Kingdom	Ordinary	100%	Management
Pirtek Europe Limited	United Kingdom	Ordinary	100%	Management
Pirtek (UK) Limited	United Kingdom	Ordinary	100%	Trading
CSK Hydraulics Limited	United Kingdom	Ordinary	100%	Trading
CSS Hydraulics Limited	United Kingdom	Ordinary	100%	Non-Trading
CSY Hydraulics Limited	United Kingdom	Ordinary	100%	Non-Trading
CST Hydraulics Limited	United Kingdom	Ordinary	100%	Non-Trading
Pirtek France Holding SAS	France	Ordinary	100%	Management
Pirtek Hydraulique Service SAS	France	Ordinary	100%	Trading
Pirtek (Deutschland) GmbH	Germany	Ordinary	100%	Trading
Pirtek Austria GmbH	Austria	Ordinary	100%	Trading
Pirtek 24/7 HydraulikService GmbH	Austria	Ordinary	51%	Trading
Pirtek BV	Netherlands	Ordinary	100%	Trading
Pirtek Rotterdam Noord B.V.*	Netherlands	Ordinary	100%	Trading
Pirtek Europoort B.V.*	Netherlands	Ordinary	100%	Trading
Pirtek Liege bvba**	Belgium	Ordinary	100%	Trading
Pirtek Brussels bvba	Belgium	Ordinary	100%	Trading
Pirtek Lummen bvba	Belgium	Ordinary	100%	Trading
Pirtek Sweden AB	Sweden	Ordinary	100%	Trading

The registered office of each of the company's subsidiaries is as follows:

Hydraulic Authority II Limited	Ashwood Court Springwood Close, Tytherington Business Park, Macclesfield, England, SK10 2XF
Hydraulic Authority III Limited	As above
Pirtek Europe Limited	As above
Pirtek (UK) Limited	As above
CSS Hydraulics Limited	As above
CSK Hydraulics Limited	As above
CSY Hydraulics Limited	As above
CST Hydraulics Limited	As above
Pirtek France Holding SAS	3 Rue de Lances, 94310, Orly, France
Pirtek Hydraulique Services SAS	3 Rue de Lances, 94310, Orly, France
Pirtek (Deutschland) GmbH	Maarweg 165, 50825 Koln, Germany
Pirtek Austria GmbH	c/o Hasperger Setiz & Partner, Gonzagagasse 4, 1010 Wien, Austria
Pirtek 24/7 HydraulikService GmbH	Bruckenkopfgasse 1, 6. Stock, 8020, Graz, Austria
Pirtek BV	Hongkongstraat 29, 3047 BR Rotterdam, The Netherlands
Pirtek Rotterdam Noord B.V.	Schuttevaerweg 88, 3044BB Rotterdam
Pirtek Europoort B.V.	Moezelweg 104, 3198 LS Europoort-RT
Pirtek Liege bvba	Floralienlaan 21, 2600 Antwerp, Belgium
Pirtek Brussels bvba	Avenue Newton 7, 1300 Wavre, Belgium
Pirtek Lummen bvba	Klaverbladstraat 16, 3560, Lummen, Belgium
Pirtek Sweden AB	Box 90, 182 07 Stocksund, Sweden

Notes *(continued)*

13 Fixed asset investments *(continued)*

*Pirtek B.V acquired the 100% of the share capital of Patrick Vos Europoort B.V. (renamed Pirtek Europoort B.V.) and Patrick Vos Rotterdam Noord B.V. (renamed Pirtek Rotterdam Noord B.V.) on the 8th July 2022.

Pirtek Belgium bvba was renamed Pirtek Liege bvba during the year and on 3rd March 2023, the company sold 100% of the share capital of CH Hydraulics Limited to a new franchisee.

14 Stocks

	2023	2022
	£	£
Group:		
Finished goods and goods for resale	**5,016,349**	3,694,923

There is no material difference between the replacement cost of stocks and the amount stated above. Finished goods and goods for resale recognised as cost of sales in the year amounted to £14,569,524 *(2022: £11,154,451)*. The write-down of stocks to net realisable value amounted to £nil *(2022: £nil)*. The write-down and reversal are included in cost of sales.

15 Debtors

	Group 2023 £	Company 2023 £	Group 2022 £	Company 2022 £
Trade debtors	**9,442,279**	-	7,484,875	-
Other debtors	**1,266,672**	-	520,273	-
Prepayments	**2,446,008**	**24,300**	1,917,182	24,370
Accrued income	**1,382,355**	-	1,258,308	-
Corporation tax	**296,458**	-	4,818	-
Other taxation and social security	**111,055**	**9,583**	-	-
Amounts due from subsidiaries	-	**47,196,224**	-	44,357,671
	14,944,827	**47,230,107**	11,185,456	44,382,041

No impairment loss was recognised in the company loss for the year in respect of bad and doubtful trade debtors.

16 Creditors: Amounts falling due within one year

	Group 2023 £	Company 2023 £	Group 2022 £	Company 2022 £
Bank loans	**506,337**	-	453,594	-
Trade creditors	**2,880,686**	**6,349**	2,931,765	-
Corporation tax	**189,103**	**454,305**	846,242	427,680
Other taxation and social security	**1,449,315**	-	1,165,860	-
Other creditors	**1,456,341**	-	697,014	-
Accruals and deferred income	**4,456,614**	**71,600**	4,226,555	35,910
Finance lease creditor	**31,255**	-	31,255	-
Amounts due to subsidiaries	-	**520,372**	-	520,372
	10,969,651	**1,052,626**	10,352,285	983,962

Notes *(continued)*

17 Creditors: Amounts falling due after more than one year

	Group 2023 £	Company 2023 £	Group 2022 £	Company 2022 £
Bank Loan	47,372,044	-	42,650,645	-
11% Coupon A Loan Notes	27,068,523	-	24,368,889	-
11% Coupon B Loan Notes	1,930,730	-	1,757,881	-
A Preference shares	54,035,178	54,035,178	48,664,010	48,664,010
B Preference shares	4,094,064	4,094,064	3,684,378	3,684,378
Finance lease creditor	29,450	-	60,705	-
	134,529,989	58,129,242	121,186,508	52,348,388

The bank loan is secured by a fixed and floating charge over the assets of the group, see note 24.

The issue of the bank loan incurred costs of £1,714,752, the 11% A loan notes and 11% B loan notes incurred debt issue costs of £110,366 and £19,823 respectively. These costs are being amortised over the life of the loans.

On 21 November 2018 the Company issued 34,325,970 A preference shares and 2,568,493 B preference shares both with a nominal value of £1. The preference shares were issued at a cost of £121,126 and £9,063 respectively. The characteristics of the preference shares are that they are mandatorily redeemable by the issuer upon the earlier of an exit or the tenth anniversary of issue. Dividends are accrued at 11% per annum and any unpaid dividends on the Preferred Shares will become payable upon redemption, as such they have been classified as a basic financial instrument. Dividends accrued for the year are disclosed in note 8.

On 20th September 2019, 17,197,875 A loan notes were listed on 'The International Stock Exchange' (TISE) at a gross value of £17,197,875. A further 1,891,766 at a gross value of £1,891,766 were listed on the 12th December 2019. A further 2,099,860 at a gross value of £2,099,860 were listed on the 10th December 2020, 2,330,845 at a gross value of £2,330,845 were listed on the 16 December 2021, and £2,587,238 at a gross value of £2,587,238 were listed on the 12 December 2022.

18 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group 2023 £	Group 2022 £	Company 2023 £	Company 2022 £
Creditors falling due within less than one year				
Secured bank loans	506,337	453,594	-	-
Finance leases liabilities	31,255	31,255	-	-
	537,592	484,849	-	-
Creditors falling due after more than one year				
Secured bank loans	47,372,044	42,650,645	-	-
Loan notes	28,999,253	26,126,770	-	-
Shares classified as debt	58,129,242	52,348,388	58,129,242	52,348,388
Finance lease liabilities	29,450	60,705	-	-
	134,529,989	121,186,508	58,129,242	52,348,388

Notes *(continued)*

18 Interest bearing loans and borrowings *(continued)*

On 21 November 2018, Hydraulic Authority III Limited, on behalf of the Group, borrowed funds from Golub Capital LLC of Chicago, Illinois U.S.A. under one term loan of £50,000,000 and agreed a revolving credit facility (RCF) of £5,000,000.

Both the term loan and the RCF balances accrued interest at the rate of LIBOR (with a minimum of 1%) plus a margin up to 31st Dec 2021 and Sonia SIA Daily Base rate plus a margin based on Total debt to EBITDA ratio thereafter as follows:

	LIBOR Margin	SONIA Daily Margin
> 4.75 to 1.00	6.0000	6.0326
< 4.75 to 1.00 but > 4.00 to 1.00	5.7500	5.7826
< 4.00 to 1.00 but > 3.50 to 1.00	5.5000	5.5326
< 3.50 to 1.00	5.0000	5.0326

At year end the loan balance still repayable is £47,878,381 and the RCF balance totalling £Nil were outstanding and accruing interest at a rate of 8.4601% per annum. A fee of 0.5% is payable on any unfunded amount on the RCF.

The term loan of £50,000,000 is repayable at a rate of 1% per annum in equal quarterly payments until the maturity date of 21 November 2025 when the remaining balance along with any outstanding balance on the RCF is repayable in full.

The bank loan is secured by a fixed and floating charge over the assets of the Group. Finance issue costs of totalling £1,714,752 comprises of £1,100,000 and additional buyside fees of £614,752 were incurred for the arrangement of the loans, have been offset against the liability and are being amortised over the term of the loan.

During the year under review, the company drew down £Nil and repaid £Nil under the revolving credit facility and repaid £453,591 towards the term loan to its lenders, Golub Capital LLC.

On the 17 June 2022, the group borrowed an additional €6m to help fund the acquisitions of Rotterdam Noord B.V, Pirtek Europoort B.V and the assets of Lef Hytek and Lef Grenoble.

19 Other Interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	**Minimum lease payments 2023 £**	Minimum lease payments 2022 £
Less than one year	**31,255**	31,255
Between one and five years	**29,450**	60,705
	60,705	91,960

Notes *(continued)*

20 Deferred tax assets and liabilities

Group	Assets 2023 £	Assets 2022 £	Liabilities 2023 £	Liabilities 2022 £	Net 2023 £	Net 2022 £
Accelerated capital allowances	-	2,388	**(152,802)**	(54,808)	**(152,802)**	(52,420)
Arising on business combinations	-	-	**(10,600,823)**	(11,598,357)	**(10,600,823)**	(11,598,357)
Short term timing differences	-	-	-	-	-	-
Net tax (assets)/liabilities	-	2,388	**(10,753,625)**	(11,653,165)	**(10,753,625)**	(11,650,777)

In addition to the deferred tax assets and liabilities above, the Group has additional unrecognised deferred tax assets in respect of unutilised tax losses of £3,748,000 (2022: *£nil)* due to uncertainties around them unwinding against future taxable profits.

21 Net debt

The below is an analysis of changes in net debt of the Group from the beginning to the end of the current reporting period:

Group	Borrowings due within one year £	Borrowings due after one year £	Obligations under finance lease liabilities £	Subtotal £	Less cash and cash equivalents £	Net debt £
Net debt analysis						
Balance at 1 April 2022	453,594	121,125,803	91,960	121,671,357	(2,788,326)	118,883,031
Cash flows	52,743	4,721,399	(31,255)	4,742,887	(2,700,294)	2,042,593
Other non-cash changes	-	8,653,337	-	8,653,337	-	8,653,337
Recognition of changes in market value and effect of movements in foreign exchange	-	-	-	-	34,863	34,863
Balance at 31 March 2023	506,337	134,500,539	60,705	135,067,581	(5,453,757)	129,613,824

22 Share capital

	2023 Number	2023 £	2022 Number	2022 £
Allotted, called up and fully paid:				
Ordinary A shares of £0.10 each	697,376	69,738	697,376	69,738
Ordinary B shares of £0.10 each	52,622	5,262	52,622	5,262
Ordinary C shares of £0.10 each	151,365	15,137	151,365	15,137
Ordinary D shares of £0.10 each	58,865	5,886	58,865	5,886
Total ordinary shares	960,228	96,023	960,228	96,023

Each holder of the 'A' or 'B' 'Ordinary Shares is entitled to one vote for each share held by such holder. Each holder of the 'C' or 'D' 'Ordinary Shares is entitled to 0.7 votes for each share held by such holder. The 'A', 'B', 'C' and 'D' shares collectively are the voting shares.

Notes *(continued)*

22 Share capital *(continued)*

	Ordinary A shares	Ordinary B shares	Ordinary C shares	Ordinary D shares	Total
Number					
At beginning of year	697,376	52,622	151,365	58,865	960,228
At end of year	**697,376**	**52,622**	**151,365**	**58,865**	**960,228**
£					
At beginning of year	69,738	5,262	15,137	5,886	96,023
At end of year	**69,738**	**5,262**	**15,137**	**5,886**	**96,023**

23 Commitments under operating leases

The Group had minimum lease payments under non-cancellable operating leases as set out below:

	2023 £	2022 £
Not later than 1 year	**1,898,200**	1,299,061
Later than 1 year and not later than 5 years	**4,254,490**	2,250,320
Later than 5 years	**917,117**	263,328
	7,069,807	3,812,709

24 Contingencies

As at 31 March 2023, the Company is party to a cross guarantee in respect of £47,878,381 in funded and £5,000,000 unfunded borrowing by Hydraulic Authority III Limited due to Golub Capital LLC, secured by the net assets of its investments in Pirtek Europe Limited and its subsidiaries.

Hydraulic Authority III Limited, a subsidiary of the Company, had fulfilled all its obligations under the terms of the loan at the balance sheet date, and at the date that the reports were signed. The Company does not expect to have to make any payments in respect of this guarantee.

Hydraulic Authority I Limited has guaranteed the liabilities of the following subsidiaries, CSS Hydraulics Limited (Company registration number: 13294860), CSY Hydraulics Limited (Company registration number: 13917237) and CST Hydraulics Limited (Company registration number: 13918524) and CSK Hydraulics Limited (Company registration number: 14345751) in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 31 March 2022.

Pensions

The Group operates a money purchase pension scheme. The funds within the plan are administered independently from those out of the Company. The contributions outstanding at 31 March 2023 amounted to £39,379 *(2022: £22,843)*.

Retirement bonuses

Pirtek Hydraulique Service SAS has an obligation under the Rubber Collective to pay retirement bonuses to staff who remain employed until their retirement. The provision of £514,006 (2022: Nil) was based on an independent valuation.

Notes *(continued)*

25 Related party transactions

During the year, the Company incurred management charges of £250,000 *(2022: £250,000)* to PNC Capital Finance, LLC the Group's ultimate controlling party. An amount of £nil *(2022: £nil)* was outstanding as at year end.

The Directors consider the key management personnel of the group to be those individuals who regularly attend board meetings of group companies. This includes all Directors as well as other individuals in the senior management team who together have authority and responsibility for planning, directing and controlling the activities of the group or group companies. This comprises Group Directors and 20 other members of the Group's senior management team.

The total compensation paid to key management personnel for services provided to the group for the year ended 31 March 2023 was £3,611,551 *(2022: £3,127,651)*.

26 Ultimate controlling party

At 31 March 2022, PNC Capital Finance, LLC is considered the ultimate controlling party.

27 Post Balance Sheet Event

On the 21 April 2023, Franchise Brands PLC purchased the Hydraulic Authority I Group for £200m plus a working capital adjustment of £12.2m. Following the acquisition the bank loan and loan notes were settled and replaced with intercompany borrowings with the Franchise Brands Group

Notes *(continued)*

28 Business Combinations

Pirtek Europoort B.V.

On 7th July 2022, the Group acquired all of the issued share capital of Pirtek Europoort B.V. The principal activities of the business is emergency hydraulic hose replacement. The expected useful life of goodwill arising from this acquisition is 10 years. The Company contributed revenues of £1,026,065 and net profit of (£294,953) to the Hydraulic Authority I Limited group during the year.

The acquisition had the following effect on the Group's assets and liabilities:

	Book values £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	56,751	-	56,751
Stock	63,146	-	63,146
Trade and other debtors	197,750	-	197,750
Cash	149,845	-	149,845
Trade and other creditors	(157,110)	-	(157,110)
Net identifiable assets and liabilities	**310,382**	-	**310,382**

	£
Total cost of business combination:	
Cash consideration paid	1,277,309
Deferred Consideration	169,716
Total consideration	1,447,025
Goodwill arising on acquisition	1,136,643

Pirtek Rotterdam Noord B.V.

On7th July 2022, the Group acquired all of the issued share capital of Pirtek Rotterdam Noord B.V. The principal activities of the business is emergency hydraulic hose replacement. The expected useful life of goodwill arising from this acquisition is 10 years. The Company contributed revenues of £1,178,133 and net profit of £134,351 to the Hydraulic Authority I Limited group during the year.

The acquisition had the following effect on the Group's assets and liabilities:

	Book values £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	23,164	-	23,164
Stock	113,860	-	113,860
Trade and other debtors	249,095	-	249,095
Cash	324,727	-	324,727
Trade and other creditors	(151,773)	-	(151,773)
Net identifiable assets and liabilities	559,073	-	559,073

28 Business Combinations *(continued)*

	£
Total cost of business combination:	
Cash consideration paid	2,068,798
Deferred Consideration	269,806
Total consideration	2,338,604
Goodwill arising on acquisition	1,779,531

Lyon and Grenoble.

On 6th October 2022, the Group acquired the trade and assets of Lef Hytek SAS based in Lyon and Lef Grenoble based in Grenoble, France. The principal activities of the business is emergency hydraulic hose replacement. The expected useful life of goodwill arising from this acquisition is 10 years.

The acquisition had the following effect on the Group's assets and liabilities:

	Book values £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	24,350	-	24,350
Stock	41,145	-	41,145
Trade and other creditors	(95,473)	-	(95,473)
Net identifiable assets and liabilities	**(29,978)**	**-**	**(29,978)**

	£
Total cost of business combination:	
Cash consideration paid	1,040,269
Total consideration	1,040,269
Goodwill arising on acquisition	1,070,247